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The Oxford Handbook Of The Economics Of Poverty

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Introduction and Overview

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(p. 1) Introduction and Overview

Poverty is the presence of significant human want in an absolute or relative sense. It is ubiquitous. Its concentration and severity vary across countries and over time. These facts raise two fundamental questions: "Why are some people poor?" and "Can anything be done to alleviate the poverty that remains?" All analyses of poverty by scholars, policy advisors, policy makers, advocates, critics, students, and the public at large have their foundation in finding the answers to these two questions.

Poverty is of inherent interest to economists because it is a condition that is grounded in scarcity. One can hold the belief that sound economics and well-designed economic policy can provide critical assistance in the struggle against poverty and simultaneously be concerned about the elusiveness of agreed-upon answers to the two fundamental questions above. An objective of this handbook is to convey the extent, depth, and complexity of modern poverty research and policy analysis from the perspective of economics. It seeks to augment our understanding of where we are, what we know or do not know, and what opportunities and challenges lie ahead along the path of poverty reduction.

The handbook deploys a multipronged approach to the economics underlying the fundamental questions raised above. It consists of six interrelated parts: Poverty in the Twenty-First Century; Labor Market Factors; Poverty Policy; Poverty Dynamics; Dimensions of Poverty; and Trends and Issues in Antipoverty Policy. An overview of each part follows.

1. Poverty in the Twenty-First Century

Part 1 provides an assessment of progress toward alleviating poverty in the United States, considers the fundamental but difficult task of measuring poverty both in (p. 2) the United States and abroad, and examines leading theories of why people are poor. This part provides background and context for the chapters that follow.

Plotnick's opening chapter addresses the question of how far we have come in the alleviation of poverty in the United States. He examines data from 1965 to 2010 on alternative measures of poverty. These include market poverty, adjusted income poverty, relative poverty, and official poverty. Across measures, there is evidence of progress in the 1960s and 1970s. That progress came to a halt around 1980. Plotnick grapples with the difficult question of why this progress ended. Analytically, he decomposes changes in the poverty rate into three components: changes in market poverty among subgroups of the overall population, changes in the antipoverty impact of income-support programs, and changes in demographic structure. Market poverty has been exacerbated by the anemic growth in real earnings of low-skilled workers. The antipoverty impact of income-support programs fell in the early 1980s as traditional transfer programs were replaced by term-limited or work-based programs. Important demographic changes include an increase in the relative size of the elderly population, the influx of immigrants, and the rising proportion of children living with a single parent. The net effect of these changes has been stasis in the overall poverty rate that has been calculated based on traditional methods.

The chapter by Meyer and Sullivan reports estimates of consumption and income poverty in the United States from 1960 to 2009. They argue that consumption-based poverty is a better measure of well-being because of the ability of consumption to capture flows from the ownership of durable goods, the insurance value of government programs, access to credit, and the accumulation of assets. They provide details on how consumption poverty is measured, and they highlight the important role of the inflation index, which is used to update poverty thresholds. If official poverty thresholds are adjusted for the biases in the consumer price index (CPI), then income poverty is lower than that reported in the official statistics. Who is determined to be poor and what the poverty rate is can differ across poverty measures. In the 2000s, consumption and income poverty moved in different directions. Consumption poverty fell while income poverty using a corrected CPI rose. Meyer and Sullivan conclude by offering suggestions for future research and for working around some technical limitations associated with a consumption-based measure of poverty.

Ravillion considers alternative views of how to define and estimate the poverty line. Low-income countries tend to use absolute measures of poverty. High-income countries tend to use relative measures of poverty. Using a sample of 95 countries, he shows that for all but the poorest fifth of countries, there is a positive relationship between the poverty line and average consumption (the so-called relativist gradient). This relationship holds for high- and low-income countries grouped separately. This suggests that even countries that deploy absolute poverty measures are sensitive to local conceptions of what it means to be poor. Ravillion proposes a method for drawing the poverty line that has absolute and relative components. He calls this method “weakly relative poverty lines.” Empirically, poverty lines that (p. 3) are drawn using this method fit well with the cross-sectional distribution of poverty lines worldwide. These lines are relatively flat across low-income countries, and beyond a certain consumption per capita threshold, they rise with average consumption across middle- and high-income countries. Ravillion closes with an argument that weakly relative poverty lines are welfare-consistent and that they should be considered for broad adoption.

The chapter by Johnson and Mason begins with an examination of the evidence in support of traditional explanations of poverty: labor market and macroeconomic conditions; family structure; and government policy and programs. They conclude that these explanations provide a useful but ultimately incomplete understanding of poverty. Therefore, they consider alternative explanations that are underresearched in the United States: social capital and social exclusion. Johnson and Mason define social capital as "the social and economic spaces in which individuals reside and which provides them with certain group interactions, networks, and resources that help to inform their strategic actions that provide access to public and private resources." Social exclusion occurs when individuals do not have access to standards of well-being, such as health care, education, and affordable housing. Social exclusion is proliferated by the incidence of incarceration and asset poverty. Racial and ethnic minorities experience disproportionately high rates of incarceration and asset poverty. As a result, they are excluded from civic participation, lack the ability to withstand short-run income shortfalls, and often fail to transfer wealth across generations. These factors hamper their capacity to build social networks that provide information about and opportunities for employment and advancement.

2. Labor Market Factors

Part 2 focuses on the connection between labor market performance and poverty incidence. It provides coverage of the United States, the developing world, and immigration into the United States. Networks and skills receive special attention as they both emerge as important factors in determining the labor market status of individuals and groups, as well as the likelihood that said parties will experience poverty.

Lang examines the linkages between poverty and the US labor market. The state of the labor market is captured by the unemployment rate and the median earnings of male full-time, full-year workers. He shows that higher median wages and a lower unemployment rate are associated with a lower poverty rate. He finds that the distribution of male earnings matters also. Increases in the ratio of median to the tenth percentile male earnings are associated with a higher poverty rate. He also examines labor market policies and programs that have been implemented to reduce poverty. These include worker and employer wage subsidies, (p. 4) minimum-wage laws, job-training programs, and the earned income-tax credit. The minimum wage may have a small positive effect in reducing poverty. He reviews several job-training program evaluations and concludes that these programs rarely pass cost-benefit tests. While recognizing the importance of the labor market for poverty reduction, Lang is not confident that we currently have available to us the policy tools to help the poor without creating severe distortions in the labor market that could cause harm.

The chapter by Hellerstein and Neumark examines the roles of place and race in determining black employment rates in urban areas. Their view is that a spatial mismatch between the location of jobs and the location of black workers is only a part of the reason for the low employment rates of urban blacks. There is also a racial dimension in hiring, which they call racial mismatch. The evidence for racial mismatch is that "higher local job density for one's own race affects employment probabilities, but higher job density for the other race does not." It is the interaction of racial and spatial mismatch that makes black urban unemployment difficult to mitigate. This interaction is supported by labor market networks that are stratified by race (or ethnicity). For them, a labor market network represents "channels for providing information about jobs." The more employment-centric one's network is, the more information one will have about jobs, and the more likely that one will be employed. According to Hellerstein and Neumark, public policies aimed strictly at location concerns are not likely to lead to higher employment rates among urban blacks. Rather, policies are needed that enrich labor market networks.

Duncan and Trejo examine the relationship between immigration of male workers and employment, and wage outcomes for them and native workers in the US labor market. They also consider the impacts of race, ethnicity, education, multigenerational presence, and intermarriage on labor market outcomes. Using pooled cross-sectional data on men from the American Community Survey and the Current Population Survey, they show that the employment rates of low-skilled adult immigrants are very high (⟩90 percent). Immigrants' wages, however, are low relative to native men of comparable education. The longer immigrants stay in the country, the smaller the earnings gap is, particularly if their English proficiency is high. Comparing second-generation with third-generation immigrants, there are not big differences across the groups in employment rates or earnings. Comparing first-generation with third-generation immigrants, the first-generation immigrants work more and earn less even after correcting for education. The big differences across generations are seen when the data are sorted by race/ethnicity. Duncan and Trejo emphasize that any analysis of intergenerational progress is likely to be biased if "selective ethnic attrition" is not taken into account. Finally, they conclude that increased immigration is likely to have had only a modest negative effect on low-skilled native workers.

Fields's chapter examines the relationship between poverty and labor markets in the developing-country context. He emphasizes absolute poverty and presents evidence that the poor work a lot. Very few poor people can afford not to engage in some kind of employment activity over a month's time. The measured unemployment rate is low but it is a poor indicator of economic distress. The problem (p. 5) is that earnings are very low, work is irregular, and there are not enough jobs to go around. Thus, poor people turn to self-employment. Given that their skills are low, however, self-employed entrepreneurs do not earn much. How can the poor be helped to earn their way out of poverty? His answers include setting priorities, facing trade-offs, engaging in trade, harnessing the energies of the private sector, generating more paid employment, and providing more capital to the self-employed. Fields concludes by outlining the need for better theoretical models, more analysis of policy interventions, greater sector-level (and market-level) analysis, and more social cost-benefit analysis in the developing-country context.

3. Poverty Policy

Part 3 considers several policies that have been enacted to alleviate poverty. Targets of these policies include persons facing insecurity with respect to food, education, healthcare, and housing. The analyses identify the barriers to success of certain programs and, in some cases, advance proposals for reform.

Currie provides a comprehensive review of research on several antipoverty programs for poor families and children. Areas of coverage include cash programs, tax credits, health, housing, food and nutrition, early intervention, and after-school care. She argues that some programs (such as the Women, Infants, and Children federal food program) have been demonstrably successful in improving well-being and that others may have prevented the situations of the disadvantaged from becoming worse. She considers “take-up,” the rate at which people who are eligible for programs make use of them. In general, the take-up rate for antipoverty programs is low. The main reasons for this appear to be transaction costs and stigma. Currie suggests that the take-up rate for many programs can be improved by “reducing the barriers to participation and giving institutions incentives to assist individuals in taking up their benefits.”

The chapter by Barrow and Schanzenbach considers the relationship between income and educational inputs and outcomes. Using several data sets, they document wide disparities in educational outcomes (educational attainment, test scores, and cognitive skills). As income rises, educational outcomes improve. Highly aggregated measures of school inputs indicate small differences according to income. Average spending per pupil, measured at the school district level, is approximately the same for nonpoor students and for free-lunch students. Average class sizes are also approximately the same across high- and low-poverty schools. The big differences across high- and low-poverty schools are in teacher characteristics, facilities, and school crime rates. Low-poverty schools have more experienced teachers, less teacher turnover, fewer crimes, and more specialized facilities. Parental educational attainment and time spent with children are positively correlated with income. These input differences significantly impact outcome differences. Barrow (p. 6) and Schanzenbach consider policies designed to address differences in educational inputs and outcomes. There is some evidence that smaller classes, accountability standards, and high-quality charter schools may contribute toward equalizing outcomes between low- and high-income students.

Gaskins and Roberts examine the relationships among poverty, access to healthcare services, and health outcomes. A consistent finding in the literature on poverty and health is that mortality and morbidity rates are inversely related to socioeconomic status. Poverty impedes access to healthcare services, which in turn compromises health. Moreover, being born poor appears to have impacts on health that extend into adulthood. Medicaid is the most prominent public insurance program that provides access to healthcare for the poor and near-poor in the United States. Gaskins and Roberts discuss several aspects of Medicaid, including whether it improves health outcomes for those enrolled in it and whether it crowds out demand for private insurance. They note that the production of health at the individual level can be compromised by low income because of the restriction it places on the acquisition of high-quality inputs. They provide a quantitative analysis of the relationship between poverty status and healthcare utilization across many measures. Gaskins and Roberts find that the nonelderly poor and the near-poor are at risk for not receiving preventive healthcare services. They conclude by posing questions raised by the Patient Protection and Affordable Care Act of 2010.

The chapter by Early and Olsen examines the impact of correcting official poverty rates for geographical differences in the cost of living and housing. They calculate revised poverty thresholds by using improved housing-price indexes and by including in household resources the market value of housing subsidies. High housing costs increase poverty thresholds and the poverty rate, other things being equal. Subsidized housing increases household resources and reduces the poverty rate, other things being equal. They show how each of these factors working separately and together can impact poverty rates across regions, demographic groups, and selected cities. Adjusting thresholds and adding the market value of housing subsidies would reduce the aggregate poverty rate by 0.6 percentage points. Including the market value housing assistance would decrease the poverty rate for blacks and female-headed households by two percentage points. Early and Olsen propose a voucher entitlement program that would cost no more than what is currently spent on housing assistance. The impact of this program on the poverty rate is ambiguous theoretically. A positive by-product of the program is that it would reach more of the poorest households.

4. Poverty Dynamics

Part 4 examines changes in poverty over time. Macroeconomic, sectoral, and household-level factors that influence the aggregate poverty rate or individual (p. 7) poverty status are considered. Stylized facts pertaining to distributional considerations, the ability of the poor to accumulate assets, transitions across poverty thresholds, and the response of overall poverty to macroeconomic activity are reported.

Ferreira examines the relationships among growth, poverty, and inequality. If poverty is measured via an absolute poverty line, then the change in the poverty rate can be decomposed into two components: the first depends on the growth rate of average income and the second depends on changes in inequality. This fact places a restriction on what we can hope to learn from macroeconomic data. Cross-country macroeconomic studies only reveal correlations between the three measures. A “meso-economic” approach uses data on subnational units for individual countries to examine how growth across sectors (primary, secondary, and tertiary) of the economy affects poverty. An insight of this approach is that not all growth is the same. In many countries, the response of poverty to growth differs across sectors. Further disaggregation permits consideration of full distributions of income or consumption expenditures in order to uncover more systematic sources of distributional change over time by examining the incidence of growth at different points in the income (or wealth) distribution. The analytical tool used in this method is the growth incidence curve (GIC). Ferreira highlights the finding that changes in poverty, growth, and inequality are all alternative aggregations of the information in the GIC.

The chapter by McKernan, Ratcliffe, and Shanks addresses the question of whether poverty is incompatible with asset accumulation. They review theories of asset accumulation, define asset poverty, and examine the availability and quality of data sets that provide information on asset holdings. Across multiple countries, they report that the distribution of income and that of wealth can be quite different within a country. Using information from multiple data sets and countries, they present evidence that poverty is compatible with asset accumulation. In the United States, for example, they document that families that were poor between 26 and 50 percent of the time from 1994 to 2007 managed to increase their net worth on average. They review international evidence on asset-building programs targeted at low-income people: individual development accounts, children's development accounts, and financial matches at tax time. A general finding is that low-income people do respond positively to these kinds of programs. It is not clear, however, whether these programs actually increase savings. McKernan, Ratcliffe, and Shanks point out, however, that this standard of effectiveness is not applied to programs that subsidize savings aimed at middle- and upper-income people.

Stevens examines factors that determine transitions into and out of poverty using household data from the Panel Study of Income Dynamics. Two key factors drive poverty transitions: changes in household structure and changes in labor market attachment at the individual or household level. Transitions data are typically censored from the right and the left. Left censoring is particularly complicated because there is no way of knowing the duration of a spell that was in progress at the beginning of the observation period. She controls for left censoring by using (p. 8) the initial observations only as information for learning about subsequent spells. Using this approach, she updates and extends our understanding of poverty transitions. She confirms that for children, women, and men, a change in the household head is the single biggest factor in initiating or ending poverty spells. On average, poverty spells are longer for blacks, for those who are less educated, and for those who live in female-headed households. Poverty re-entry rates for these groups are also higher. Stevens's estimates indicate that the number of weeks worked annually by the household head is an important determinant of poverty exit, entry, and re-entry probabilities.

The chapter by Jefferson and Kim examines the dynamic relationship between macroeconomic performance and measures of poverty in the United States. They review research from the past 25 years that has attempted to quantify how fluctuations in unemployment, inflation, GDP growth, income inequality, government transfers, and wages influence cyclical fluctuations in the aggregate poverty rate and the poverty rate of particular subpopulations. They provide stylized facts on how alternative measures of poverty move over the course of National Bureau of Economic Research (NBER)-dated recessions. Using data on official and alternative poverty measures, they illustrate how the choice of a poverty measure necessarily alters one's interpretation of the facts. For example, consumption-based poverty fell in two of the four recessions for which we have consumption-based poverty data. They provide an updated quantitative summary of aggregate poverty facts using elementary statistical methods that are commonly deployed in business cycle analysis. Jefferson and Kim show that, in empirical poverty models, the response of poverty to unemployment and inflation innovations and the significance of structural change during the 2007–2009 recession hinge crucially on whether an income-based or a consumption-based poverty measure is deployed.

5. Dimensions of Poverty

Part 5 considers conditions and situations that are often thought to be intertwined with poverty: obesity, environmental degradation, distrust of government, crime and punishment, and fringe banking. The analyses in these chapters are linked by their appeal to microeconomic theory and data, and findings that frequently challenge our customary thinking.

Averett examines the link between obesity and poverty. The prevalence, depth, and severity of obesity are measured by using the body mass index. Socioeconomic status is measured by education level and income. She uses repeated cross-sectional data from the Behavioral Risk Factor Surveillance Survey from 1987 to 2009 to document that obesity rates rose for most demographic groups in the United States over the sample period. There are significant and persistent disparities in obesity rates across gender, racial, ethnic, and income lines. These disparities are sharpest (p. 9) for women and people of color. Obesity is more likely to occur when calories are inexpensive relative to other goods. The desire for health, however, may act as a constraint on excess calorie consumption. Therefore, she tests whether food prices and measures of physical activity are correlated with obesity rates. She shows that for white men, lower fast-food prices are associated with more obesity. Further, more physical activity lowers obesity rates for men and women of all racial and ethnic groups. Averett computes a decomposition of poor/nonpoor differences in obesity that reveals that, for women, these differences are not well explained by factors such as age, marital status, fast-food prices, and smoking behavior.

The chapter by Gray, Shadbegian, and Wolverton examines whether poor and minority groups are "exposed to disproportionately higher levels of environmental hazards." They review the large and growing literature on environmental justice. They augment the existing literature by providing an explicit analysis of the relationship between regulatory action and community characteristics. They argue that regulatory action is one possible mechanism by which environmental justice is sustained or not. Using data from the US Environmental Protection Agency and the US Census Bureau, they test whether the demographic characteristics of the community surrounding manufacturing plants located within 50 miles of four major cities (Los Angeles, Boston, Columbus, and Houston) influence the number of regulatory actions against the plants or the amount of harmful pollutants emitted from the plants. They mitigate endogeneity concerns by matching plants to siting-year demographics of the surrounding community. They also control for plant characteristics and the level of political engagement by the community. Gray, Shadbegian, and Wolverton show that there is not a consistent, statistically significant relationship between regulatory activity or plant emissions and community demographic characteristics. Thus, they do not find much support in their data set for environmental injustice.

Elu and Price examine the relationship between the enforcement of property rights and income inequality. A theory in which individuals' level of trust in government and the degree of trustworthiness of government are jointly determined is proposed. Agents are more productive if they believe that the fruits of their labor will be protected by the enforcement of property rights by the government. This mechanism connects observed levels of income inequality and poverty to the efficacy of government property right enforcement. If the distribution of trust in government across individuals is skewed, then the distribution of income will be skewed. The empirical implications of the theory are explored by using data from 16 countries in sub-Saharan Africa. With data from the Afrobarometer survey, they test whether variation in the female-to-male income ratio is related to variation in proxies for female trust in subnational regional government using quantile regressions. Elu and Price find that there is a positive and statistically significant relationship between a woman's trust in government and her position in the regional male distribution of income.

The chapter by Raphael examines the relationship between incarceration and socioeconomic factors such as income, education, age, gender, and race. He shows (p. 10) that the incarcerated are disproportionately poor, young, not very educated, and nonwhite. Black men between the ages of 26 and 35 with less than a high school diploma are the most at risk for incarceration. A simple yet powerful choice theoretic model that links poverty to crime is presented. It predicts that improved labor market opportunities will induce fewer people to commit crimes and reduce the amount of time spent in criminal activities for those who commit crimes. He considers possible biases in the adjudication of justice. Key to the analysis is that laws can have disproportionate effects when enforcement is highly targeted. Raphael reviews the evidence linking education and crime. Well-crafted evaluations of specific programs such as Job Corps and JOBSTART suggest that education interventions for populations at risk for incarceration can increase educational attainment and life skills. Hence, these programs are likely to reduce the rate of incarceration for populations at higher risk for incarceration.

Caskey poses the "big" public-policy question concerning payday lending: "Do payday lenders, on net, exacerbate or relieve customers' financial difficulties?" After describing what payday lending is and the various rules and regulations across the United States, he turns to a selective review of quasi-experimental studies that seek to answer the big question. These studies use micro data sets and typically some presumed natural source of variation to identify the impact of payday lending on everything from measures of financial distress (bankruptcy filings, complaints against lenders, checks returned, etc.) to indirect measures of welfare (military re-enlistment eligibility, weight management, etc.). While these studies generate interesting statistical correlations, he is reluctant to conclude that they answer the big question. The reason is that these studies may be subject to omitted variable bias and control or treatment group contamination. Caskey argues that experimental and ethnographic studies are likely to move us toward an answer to the big question. These studies are more difficult to implement. In the case of experimental design, however, there is at least one example of the kind of private sector cooperation that would be needed to conduct a valid study of the impact of payday lending.

6. Trends and Issues in Antipoverty Policy

Part 6 examines the effectiveness of the social safety net over time, considers limitations of a purely economic approach to poverty, confronts the conceptual underpinnings of current antipolicy poverty, and describes the latest government effort to develop a more accurate poverty measure. By indicating what is and what is not working, pointing out why some policies may not work, and challenging the basis of the design of current programs, these chapters provide a useful foundation for future antipoverty policy.

The chapter by Ben-Shalom, Moffitt, and Scholz examines the impact of antipoverty programs on income poverty in the United States. Using data from the (p. 11) Survey of Income and Program Participation, they document that trends in per capita expenditures for the major means-tested and social insurance programs have shifted away from the very poor and unemployed toward the elderly and disabled. Further, since 1984, antipoverty policy has directed resources toward those just below the poverty line and the near poor (100 to 150 percent of the poverty line) at the expense of those at the very bottom of the income distribution. Means-tested programs, such as Supplemental Security Income, Temporary Assistance for Needy Families, and Supplemental Nutrition Assistance, have reduced overall poverty very modestly but their poverty-reducing impact on their targets has been more substantial. Social Security and Medicare have been the most effective social insurance programs for reducing poverty. Ben-Shalom, Moffitt, and Scholz estimate that the disincentive effects of antipoverty programs on the overall poverty-reducing impact of the social safety net are negligible. For the near poor, who are more likely to be attached to the labor market, the incentive effects of means-tested and social insurance programs are more significant.

O’Neil and Tienda consider whether economists might gain from further incorporation into their analyses of poverty insights drawn from other social sciences. From a sociological perspective, individual decisions are embedded in social contexts. Therefore, a comprehensive understanding of poverty requires confrontation of the importance of social networks, cumulative social processes, and responsive individual identity. What matters about social networks are their quality and the access they provide to specific productive outcomes. Certain social practices are distinguished by their persistence over time. Shifting identity suggests complex individual behavior that’s beyond standard economic theory. They observe that evidentiary standards and econometric methodology may constitute barriers to capturing the structural nuances emphasized by sociologists. Nevertheless, they confirm that economists have made much progress in understanding poverty over the past 20 years, in part because they have taken steps to broaden their empirical perspective to include concepts such as social capital despite controversy over its precise definition and measurement. O’Neal and Tienda argue that what lies ahead are challenges related to the design, implementation, and testing of public policies that enhance the instrumental functionality of social networks, encourage the modification of particular social norms, and recognize how group identity influences individual behavior.

The chapter by Darity, Lopez, Ajilore, and Wallace examines how views on why people are poor can influence the design of antipoverty policy. They argue that, broadly speaking, theories of why people are poor fall into two categories. First, there are theories grounded in the view that the poor suffer from individual defects: inadequate human capital, self-defeating culture, and genetic inferiority. Second, there are theories grounded in the view that the poor are especially vulnerable to societal defects: unemployment, overpopulation, and obstacles to wealth accumulation. The persistence of high levels of poverty in the United States is the result of policies that follow from the perspective that the poor suffer from individual defects. For example, policies solely designed to induce labor supply fail to (p. 12) address systemic problems such as discrimination in the labor market, predatory practices in financial and housing markets, and restricted access to healthcare. Darity, Lopez, Ajilore, and Wallace conclude by expressing concern that the current path of antipoverty policy is likely to perpetuate poverty and the sentiment that the poor are deserving of their status.

Jefferson describes the Census Bureau's Supplemental Poverty Measure (SPM) and considers some of its strengths, implications, and limitations. The SPM is different from the official poverty measure in several ways. First, it includes estimates of in-kind benefits, taxes, credits, and expenses in its calculation of resources available to spend on food, clothing, shelter, and utilities (FCSU). Second, it better recognizes the potential of people living at the same address to share resources. Third, its threshold adjustments recognize scale economies related to family size and composition and they also account for geographical differences in housing costs. Fourth, its thresholds are updated with a five-year moving average of expenditures on FCSU. Because of these differences, the SPM represents a clear improvement over the official poverty measure. For 2010, the SPM indicates that child poverty is less prevalent and that poverty among the elderly is more prevalent. It also suggests that poverty is more prevalent in the United States in the Northeast and the West and that a lower percentage of the poor are in deep poverty. The SPM's detachment from the allocation of programmatic funding, treatment of certain consumption flows, and the uncertainty surrounding the production of the SPM in the future are limitations.